

**Arizona Health Care Cost Containment System**  
**Proposition 204**

A.R.S. § 36-2901

		<b>FY 2002 Actual</b>	<b>FY 2003 Estimate</b>	<b>FY 2004 Approved</b>
<b>OPERATING BUDGET</b>				
Full Time Equivalent Positions	(SM)	393.5	415.3	415.3
	(TF)	394.5	861.3	861.3
Administration	(SM)	23,895,000	18,110,600	23,435,200
	(TF)	49,400,100	36,221,100	41,545,700
Services	(SM)	180,116,400	221,839,700	268,102,300
	(TF)	566,953,800	725,018,400	918,870,500
County Hold Harmless	(SM)	5,432,500	4,825,600	4,825,600 <sup>1/</sup>
	(TF)	5,432,500	4,825,600	4,825,600 <sup>1/</sup>
Deposit into Budget Neutrality Compliance Fund	(SM)	69,331,100	0	0
	(TF)	69,331,100	0	0
Deposit into Medical Services Stabilization Fund	(SM)	13,405,600	0	0
	(TF)	13,405,600	0	0
<b>PROGRAM TOTAL</b>	<b>(SM)</b>	<b>292,180,600</b>	<b>244,775,900</b>	<b>296,363,100</b>
	<b>(TF)</b>	<b>704,523,100</b>	<b>766,065,100</b>	<b>965,241,800<sup>2/</sup></b>

**FUND SOURCES**

General Fund		88,169,200	80,538,700	149,159,800
<u>Other Appropriated Funds</u>				
Budget Neutrality Compliance Fund		46,736,000 <sup>3/</sup>	23,319,900 <sup>3/</sup>	5,324,600
Emergency Health Services Account		0	16,032,800	21,222,800
Medically Needy Account		0	24,932,800	20,541,100
SUBTOTAL - Other Appropriated Funds		46,736,000	64,285,500	47,088,500
<u>Other Expenditure Authority Funds</u>				
Proposition 204 Protection Account		0	33,699,000	55,067,800 <sup>3/</sup>
Tobacco Settlement Fund		157,275,400	64,956,400	45,047,000 <sup>3/</sup>
Other State Match		0	1,296,300	0 <sup>4/</sup>
Federal Title XIX Funds		412,342,500	521,289,200	654,878,700 <sup>3/</sup>
Federal Title XXI Funds		0	0	14,000,000 <sup>3/</sup>
SUBTOTAL - Other Expenditure Authority Funds		569,617,900	621,240,900	768,993,500
<b>PROGRAM TOTAL</b>		<b>704,523,100</b>	<b>766,065,100</b>	<b>965,241,800<sup>3/6/</sup></b>

SM = State Match, and consists of the state General Fund, Tobacco Settlement Fund, Budget Neutrality Compliance Fund, Medically Needy Account, Proposition 204 Protection Account, and the Emergency Health Services Account.

TF = Total Funds, and represents the sum of the State Match and Federal Funds

**COST CENTER DESCRIPTION** — *The AHCCCS Proposition 204 program serves adults up to 100% Federal Poverty Level (FPL). This expansion of AHCCCS coverage was approved by Arizona voters in November 2000 and, following federal approval of the expansion waiver, implementation began in April 2001. The Proposition 204 program follows the health maintenance organization (HMO) model similar to the Acute Care program.*

<sup>1/</sup> Of the \$4,825,600 appropriated for the Proposition 204 County Hold Harmless line, \$234,200 is allocated to Graham County, \$234,400 to Greenlee County, \$159,700 to La Paz County, \$3,817,800 to Pima County, \$214,800 to Santa Cruz County and \$164,700 to Yavapai County to offset a net loss in revenue due to the implementation of Proposition 204, and shall be used for indigent health care costs. (General Appropriation Act footnote)

<sup>2/</sup> General Appropriation Act funds are appropriated by Special Line Items by Program.

<sup>3/</sup> These amounts are included in total expenditure authority.

<sup>4/</sup> In FY 2003 surplus monies from the Breast and Cervical Cancer program were used as state match in the Proposition 204 program. These monies are no longer available in FY 2004.

<sup>5/</sup> Of the \$965,241,800 expenditure authority for Proposition 204 in FY 2004, \$149,159,800 is appropriated from the state General Fund, \$21,222,800 is appropriated from Tobacco Products Tax Fund Emergency Health Services Account, \$5,324,600 is appropriated from the Budget Neutrality Compliance Fund and \$20,541,100 is appropriation from the Tobacco Tax and Health Care Fund Medically Needy Account. (General Appropriation Act footnote)

<sup>6/</sup> Before implementation of any changes in capitation rates, the Arizona Health Care Cost Containment System shall report its expenditure plan to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

**Federal Match Rate Change** — The Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 included a temporary increase of 2.95% to federal matching assistance percentage (FMAP). Savings as a result of this increase are reflected in the AHCCCS Summary section, and are not included above. This FMAP change will produce savings in the Services Special Line Item. (See the AHCCCS Summary for a more detailed discussion.)

### Special Line Items

**Administration** — This line item funds administrative costs associated with providing health coverage to the Proposition 204 expansion population. Examples of specific administrative functions related to the Proposition 204 expansion include eligibility determination, finance and budgeting, rate negotiations, and financial oversight of health plans. The approved amount provides \$41,545,700 in Total Funds for Proposition 204 administrative expenses, including \$18,110,600 from the General Fund and \$5,324,600 from the Budget Neutrality Compliance Fund (BNCF). These amounts represent an increase of \$5,324,600 above FY 2003, due to appropriating the BNCF. This line item includes 415.3 General Fund FTE Positions, and 446 FTE Positions funded with Federal Title XIX monies.

**Services** — This line item provides funding for the health care costs associated with expanding the eligibility limit for AHCCCS to 100% FPL. The program provides for: 1) monthly capitated payments to health plans; 2) reinsurance payments to health plans in the case of catastrophic cases; and, 3) Fee-for-Service coverage for certain individuals. In general, the Proposition 204 program has the same components as the standard Acute Care program, the difference being the population that is served. The individuals served under the Proposition 204 expansion are either uninsured prior to enrollment, or were enrolled in a state-only program.

The approved amount includes an increase of \$46,262,600 GF and \$193,852,100 TF above FY 2003. This includes the following adjustments from the FY 2003 appropriation:

- \$65,765,500 SM and \$210,661,800 TF for annual enrollment growth of approximately 16.9% (from June 2003 to June 2004) and for inflationary growth of 5.0% above FY 2003. Estimated FY 2004 member years are shown in *Table 1*. The capitation rates shown in *Table 1* are estimated averages of regular capitation rates.
- \$(2,200,000) SM and \$(6,719,100) TF due to shortening the redetermination period from 1 year to 6 months. The Health Omnibus Reconciliation Bill (ORB) (Laws 2003, Chapter 265) directs that continued AHCCCS eligibility be determined every 6 months, rather than 12 months. (See the *Additional Legislation section in the AHCCCS Summary for more information.*)

- \$(8,130,000) SM and \$(24,830,100) TF for increasing the co-payment amounts charged to members and implementing a \$25 enrollment fee. The Health ORB contains provisions allowing AHCCCS to implement additional cost-sharing requirements for AHCCCS members. (See the *Additional Legislation section in the AHCCCS Summary for more information.*)
- \$4,827,100 SM and \$14,739,500 TF for expected capitation rate increases as a result of the elimination of the Medicaid Special Exemption to the 2.0% insurance premium tax. Laws 2003, Chapter 136 eliminated the exemption to the statewide insurance provider tax that applied to AHCCCS contractors. (See the *Additional Legislation section in the AHCCCS Summary for more information.*)
- \$(14,000,000) SM to reflect savings generated by the use of Federal Title XXI monies for a portion of the Proposition 204 population. The current KidsCare waiver allows for the use Title XXI monies, which have a higher federal match rate, for childless adults up to 100% FPL. (See *AHCCCS Administration section for a further discussion of this offset.*)

**Table 1**

<u>Federally-Eligible Rate Codes</u>	<u>FY 2004 Member Years <sup>1/</sup></u>	<u>FY 2004 Capitation Rates <sup>2/</sup></u>
TANF	58,869	\$160.40
SSI	15,558	214.36
Prop 204 Conversions <sup>3/</sup>	76,628	228.38
Prop 204 Newly Eligible <sup>4/</sup>	<u>37,266</u>	228.38
<b>TOTAL</b>	<b>190,321</b>	
Hospital "Kick" <sup>5/</sup>	14,160	13,673.39
Deliveries <sup>6/</sup>	680	5,230.53

<sup>1/</sup> Member years are calculated as projected regular member months divided by 12 and do not necessarily indicate actual number of clients enrolled.

<sup>2/</sup> Capitation rates are set on a Contract Year (CY) basis, which is from October 1 through September 30. For FY 2004, the rates reflect 1 quarter at the CY 2003 level and 3 quarters at the CY 2004 level. These rates represent the average rates for the population listed.

<sup>3/</sup> Represents the population formerly known as the Medically Indigent who received services under the former 100% state funded MN/MI program. These enrollees are from 0 – 40% FPL.

<sup>4/</sup> Represents enrollees that mirror the former Medically Indigent population, except their income ranges from 40 - 100% FPL.

<sup>5/</sup> This is the projection of actual hospital "kick" payments on behalf of Proposition 204 enrollees in AHCCCS health plans. These "kick" payments are made to hospitals for each (non-TANF of SSI) new member enrolled at a hospital.

<sup>6/</sup> This is the projection of actual birth deliveries to be made by Proposition 204 enrollees in AHCCCS health plans.

The state match in the Services line item is funded with a variety of funding sources. In addition to General Fund monies, revenues from the Tobacco Settlement and from Tobacco Taxes are used for the Proposition 204 population in FY 2004. Monies from the Budget Neutrality Compliance Fund (BNCF) were used in FY 2003, but are no longer available in FY 2004.

Less available funding from the Tobacco Settlement, Medically Needy Account, and the BNCF require a General Fund fill-in for FY 2004, while additional Tobacco Tax revenue generated by Proposition 303, to the Proposition 204 Protection Account and the Emergency Health Services Account, generate General fund savings in FY 2004. In total, these changes require \$22,358,500 in additional General Fund dollars above FY 2003. *Table 2* summarizes the non-General Fund monies that are used for state match in the Services line item for FY 2003 and FY 2004.

**County Hold Harmless** — The implementation of Proposition 204 resulted in revenue losses to some counties. The FY 2004 appropriation continues prior year appropriations to hold these counties harmless. The primary recipient of the \$4,825,600 GF appropriation is Pima County who received \$3,817,800. The remaining \$1,007,800 is allocated among Graham, Greenlee, La Paz, Santa Cruz, and Yavapai Counties.

**Veto**es — Please see the AHCCCS Summary section for information on vetoes.

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**Table 2**

**Non-General Fund Proposition 204 Services Funding**

	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>
<b>Fund Sources:</b>		
Tobacco Settlement	\$64,956,400	\$45,047,000
Tobacco Tax:		
Proposition 204 Protection Acct.	33,699,000	55,067,800
Medically Needy Account	24,932,800	20,541,100
Emergency Health Services Acct.	16,032,800	21,222,800
Budget Neutrality Compliance Fund	23,319,900	0
Other State Match	<u>1,296,300</u>	<u>0</u>
<b>TOTAL</b>	<b>\$164,237,200</b>	<b>\$141,878,700</b>

FY 2004 change from FY 2003 <sup>1/</sup> \$(22,358,500)

<sup>1/</sup> Represents additional GF needed to offset less availability in other funding sources.